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H3223 - 0002

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EVIDENCE DIVISION

Date : 22 July 1948

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Fred Niebergall

Fred NIEBERGALL
Chief, Document
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H3223 - 0003

C E R T I F I C A T E

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Paul Joosten

Nuremberg, 6 July 1948

PAUL A. JOOSTEN

General Secretary
International Military
Tribunal

USA - 636 (3428-PS)

H3223 - 0005

Testimony of DR. HJALMAR HORACE GREELEY SCHACHT, taken at Nurnberg, Germany, 16 October 1945, 1430 - 1630, by Lt. Col. MURRAY C. BERNAYS, AGD, OCCAC.
Also present: S/Sgt. William A. Weigel, Court Reporter.

QUESTIONS BY COLONEL BERNAYS TO THE WITNESS IN ENGLISH:

Q I believe you were sworn last time, were you not Mr. Schacht?

A Yes.

Q You understand the same oath applies?

A Certainly even without that.

Q I understand that. That is just a formality.

I was interested in exploring further the agreement that you made with Hitler about three milliards ago. Will you please explain that?

A It must have been before the 17th of March 1937, the last of April and before that.

Q You recall the date because that was the end of your four year term as President of the Reichsbank?

A Quite.

Q When you, as you say, refused Hitler an unlimited amount of Reichsbank credit at the time, were you at that time afraid of war?

A No, not at all. Just of over-expenditure of armaments.

Q Did you have a feeling then that the armaments were increasing to the point that, as you said the other day, they might lead to war?

A No. I said that my point of view was always to keep within the limits of either the economical or financial limits of the German economy, and when I felt that expenses were higher than they could be borne by the German economy, then I

H3223 - 0006

wanted to stop.

Q In other words, it was then at that time purely a technical question as far as you were concerned?

A Quite.

Q And that technical question was not a new one, I take it?

A Was not what?

Q A new one.

A No. It was always the same.

Q In other words, you had had no change of principle of any kind from the time when you first voluntarily began the financing of the rearmament program up to this March of 1937 when you fixed a limit on the amount that the Reichsbank would advance directly?

A Certainly I did not think of war at that time, so it must have been the same reason. No change of principles.

Q Yes. So that, I take it, in March 1937, you were not in any way opposed to the further extension of the armament program except insofar as it was limited by technical reasons?

A No. There is another reason in addition to that. I think that any overdoing of armaments contains the danger of war in itself.

Q That is what you said last time that we talked, and I was interested in that. When did it first come to your mind that the extent of the German armament was in such a position as to cause the danger of war in itself?

A That I can't tell you, because all restrictions and thoughts in my mind, accumulated in my mind, accumulated by and by. New points always come in, and the first time that I really thought Hitler might not be willing to avert a war by all means was in the Fritsch Affair. That changed my mind entirely.

H3223 - 0007

Q That was in February 1938?

A May I just add a few remarks to my last interrogation?

Q Yes.

A When I made that statement, I didn't say what I meant. I had, of course, thought of ordinary life and none of the exceptional pressure under which I came through Hitler. When I made that statement in Vienna, I was still hopeful that I would be able to check Hitler some way or another, because the Fritsch Affair was not yet cleared. It was under trial, and the acquitting of Fritsch came only, I think somewhat later. I don't remember the date exactly, but I still hoped that Fritsch would become restituted to his post, and when that was not the case, then I said something must be wrong, because at the same time the Blomberg affair also became known to me. Some people hinted to me that that also was an intrigue, played by Himmler or somebody.

Q Tell us a little more clearly, if you will, Dr. Schacht, what was there about the Fritsch affair that disturbed you?

A Fritsch was the finest character in the whole army, in my opinion. Fritsch was certainly not willing to overdo armaments and certainly he would never have agreed to an aggressive war, so I relied entirely on him, and I was on good terms with him, and I knew that he was against any extension politics of Hitler's.

Q But I thought we agreed last time that the attack on Austria was an aggressive one. Was that not your opinion?

A No, we did not agree, sir. It was an aggressive one by propaganda, but not by military aggression.

Q Just to revert to that for a moment scientifically, you recall that in your speech in Vienna you yourself said that "through the means of the German will

H3223 - 0008

and consciousness, and through the strength of the Wehrmacht of ours, we achieved our objectives" or something to that effect?

A I stated at the same time in our last interrogation that this was towards the allies and not towards Austria. I have never heard of any military enemies to Austria. I have heard a good deal about propaganda, and such things.

Q Let us review that for a moment. I don't want to get too deeply into the Austrian affair, but let us stick to matters that were of common knowledge. You know that the French asked the Italians, Mussolini, whether he would stand firm at the intervention in the independence of Austria? You remember that?

A I don't remember the details.

Q There was a time when Italy threatened to march sometime before, a good time before that.

A A good time before that.

Q There was this development with Schuschnigg being brought to Berchtesgaden, which was common knowledge.

A Yes.

Q And there was this whole question among the European powers as to whether this Anschluss, which was directly prohibited by treaty arrangement, would be performed. You remember that?

A Yes.

Q And you remember that the tension was extremely strong at the time on the question of whether France and Italy would move to maintain the integrity of Austria, the guarantee. You remember that?

A That was long before.

Q They guaranteed it long before, but the diplomatic statements were published at the time, were they not?

H3223 - 0009

A I think that Mussolini had this for his opposition long ago.

Q What I am trying to say is, and I ask you, was it not the threat of armed force on the borders of Austria which preceded this Anschluss?

A I don't think so.

Q Was there a mobilization? Do you remember?

A I don't know. Was there?

Q I am just wondering what you remembered about it.

A Yes, but that had nothing to do with Fritsch, because Fritsch was not in office.

Q I am not talking about Fritsch now. We went off the subject as we said we would, Dr. Schacht, when I said that it was parenthetical. I asked you in the first place whether after the withdrawal of Fritsch it was not an aggressive action against Austria, and I had thought that we had agreed last time that, although you said that you had no knowledge of it beforehand that, nevertheless, you still condemned Hitler's principles and so forth, and implied that the matter was an aggressive one.

A I would even deplore propoganda, an aggressive propoganda, inside of Austria; not only military threat.

Q But what I mean is, do you withdraw completely what you said at Vienna, where you seemed to be pleased at the success of Hitler's method of obtaining the Anschluss?

A Would I what?

Q Will you read the question?

(The question referred to was read by the reporter as set forth above).

A I stand by that statement.

Q Now, coming back to this question of aggression and whether or not there

H3223 - 0010

was a threat of armed force, do you recall that on March 11th, Austrian reservists were called up to meet the crisis? Does that come back to your memory? I am just trying to get the framework on the situation.

A I have not been in those details at the time.

Q Well, but you were a living man at the time. We all were, and we were very influential, as a matter of fact.

A No. I was not influential at all, not in that.

Q What I am trying to do is to ask you whether you remember--and if you don't, say so--whether you remember the tension that existed in Europe prior to the Anschluss.

A Certainly. There must have been.

Q And that tension was caused, was it not, by the poising of the armed forces of Germany on the borders of Austria?

A Well, I don't know that.

Q Do you remember Hitler's speech of the 20th of February of 1938, for example?

A No.

Q Where he told the Reichstag that the Germans in Austria and the Sudetenland had to have self-determination?

A No.

Q Did you attend those sessions of the Reichstag, by the way?

A I don't remember.

Q Weren't you, as a member of the government, entitled to sit on the government benches at these Reichstag meetings?

A Yes, but I have missed very, very many meetings.

Q Do you recall whether or not you were present?

A 094637

(SCHMIDT)

H3223 - 0011

A That is easily verifiable.

Q That is why I asked you.

A No, I don't know. I don't remember.

Q You don't remember?

A No, I don't remember.

Q You remember being on the Reichstag government bench at the time war was declared on Poland?

A I certainly was not.

Q You were not?

A No.

Q I just want to ask you this, a little off the beaten track: There is testimony, Dr. Schacht, to the effect that after you left the Reichsbank and retained your position as Minister without Portfolio that you still sat on the government bench in the Reichstag.

A Once, sir.

Q And when was that?

A After Hitler came back from France.

Q After the great victory?

A After the great victory over France. The reason was this: The ministers were all ordered to meet Hitler at the station. I was in Berlin at that time. I couldn't escape joining them, and because I also greeted him from the station, I couldn't escape going to the Reichstag, and I did it; but I think that is the only time I attended the Reichstag after the opening of war.

Q There weren't many sessions of course?

A Oh, there were some, for Poland, for America, for instance, for--oh, yes,

H3223 - 0012

there were some. After Poland, yes, but I don't think I have ever attended any, except this one.

Q That is the only one you went to, at the moment of the great victory over France?

A It is the only one I remember.

Q Coming back to what we were discussing, Mr. Schacht, you recall this tension in Europe, as you say, at the time of the Austrian Anschluss and you recall even at that time the Czechs were making statements, saying that they would defend themselves if attacked?

A (Pause).

Q You must.

A I have never been in these foreign politics and I don't remember what declarations and speeches were made.

Q These were things that were in the public press.

A I have read that as a common reader, but I wasn't very much interested in the matter.

Q Let me ask you, then: Would you deny that there was tension in Europe and the threat of a war prior to the Austrian Anschluss?

A I don't think that there was threat of war, not from our side.

Q Your intentions were to take Austria, were they not? Not your personal intentions, but the intentions of the Reich?

A I think Hitler intended to force the Anschluss.

Q If Hitler intended to force the Anschluss, it might have tended toward a general war. That was one of the risks, was it not?

A I don't think so.

Q You don't think there ever was a risk?

A No.

A 094639

(SCHACHT)

H3223 - 0013

Q You didn't think there was a possibility that France might have protected the integrity of Austria?

A If France would have done that, then I think the right moment for any military intervention was when Germany began to rearm.

Q But again you are dealing with risks and gambles, are you not, Dr. Schacht? You are dealing with the other fellow's point of view as to what he might or might not do.

A You asked me if I think he could have done something. Of course he could.

Q So that we have it that at the time of the dismissal of Fritsch, there was tension in Europe; Hitler reorganized his army; dismissed Blomberg at the same time; took in Keitel. All those things you knew?

A Yes.

Q As a result, or shortly after this change of position of the leaders, of the German war machine, the Anschluss took place under the circumstances that we have already dealt with?

A No. Pardon me. The Fritsch affair was not yet settled.

Q But in any event, he had been relieved of his command. Fritsch did not march into Austria.

A It was very likely, and I suspected it, that after his acquittal with Poland, he would be restituted to his office.

Q At the time of the Austrian Anschluss Fritsch had been relieved of his post under trial; Blomberg had been sent out of his position as Minister of War. Blomberg again was a man whom you trusted, I take it, from what you said before?

A No, not so much, not because of bad intention, but because of lack of character and courage.

A-0943-40

(SCHACHT)

H3223 - 0014

Q And Keitel, I take it, you had not much use for?

A No. I distrusted him.

Q You had the situation where a man that was distrusted--

A I did not distrust him at that time, because I didn't know him very well. I distrust him today after what has happened, but at that time I didn't know him so well.

Q You had a change in the military leadership of Germany at that time?

A Yes.

Q Followed shortly after by a series of events which culminated in an armed march into Austria, is that correct?

A Yes.

Q Coming back to Fritsch, how long did it take until it was determined whether or not Fritsch would be acquitted of the charges?

A Nobody could know.

Q But what finally happened as a matter of history? Do you remember?

A What happened?

Q Yes.

A What happened was that he was acquitted and that he then disappeared from the surface and was not restituted. Everyone was surprised that he took these things without doing anything.

Q How long was that?

A Weeks, months, I don't know.

Q It wasn't more than weeks or months? It wasn't years?

A No. No. Months, but I can't tell you exactly when it came to my consciousness, to my knowledge, and to my conviction, that he would not come back.

A 004641

H3223 - 0015

Q But in any event, you fixed the time, regardless of the date, when it was definite that Fritsch was not coming back, and then you lost all possible hope?

A Then I said, "Now this is dangerous. If this man doesn't come back and there were men like Keitel, who certainly was a man of Hitler, who would take the sole responsibility, then I distrusted the whole thing".

Q Would you put your mind back, then, Dr. Schacht, and tell us whether that definite opinion of yours came before the Munich pact or later?

A Yes. That is something which I can't answer directly, but which Dr. Gisevius will be able to answer, because at the moment at which I resolved to act in community with Hitzleben, I don't remember by heart whether this was before Munich or after Munich but Gisevius has the dates and Gisevius has been with him and he must have stated that.

Q Now, you mean that you don't recall the impact of historical events like Munich?

A I don't know. My conviction that Hitler might not do anything to avoid war was certainly already fixed before hand.

Q That is clear in your mind, isn't it?

A That I think is clear in my mind, that I had always still the hope to be able to check him in some way or another.

Q Although I think you said that you had nothing to do with foreign policies while you were in office?

A No, but from the financial standpoint.

Q You are pretty clear, then, that before Munich you had already definitely resolved in your own mind that Hitler was up to no good?

A That Hitler was what?

Q Was up to no good.

A 0946 42

H3223 – 0016

A Certainly. Yes.

Q And that he might carry out aggressive plans?

A Yes. I thought it possible.

Q Did you consider the matter in which he handled the Sudeten question wrong or reprehensible?

A Yes.

Q You did?

A Yes sir.

Q And did you have a feeling at that time, looking back on the events that had proceeded and in your own participation in them, that this army which he was using as a threat against Czechoslovakia was at least in part an army of your own creation? Did that ever strike you?

A I can't deny that, sir.

Q I am not being facitious, but did it strike you at the time that you had created this weapon in the hands of this reckless man which he was now using for aggressive purposes against the Czechs?

A If I had known that he was a reckless man when I helped him to build up the army, I would have refused my help.

Q And you also had this option of refusal throughout the period, I take it?

A Throughout?

Q You always had this option to refuse throughout this period?

A No. I would not have started. I only had the choice once, when I was recalled as head of the Reichsbank.

Q But I thought you told us before that you had a choice when you actually did quit, that in 1936 and 1939 you voluntarily left?

A Wait a minute. I had the choice in '37, March '37. I could have said no,

H3223 - 0017

I wouldn't continue. Then I made the compromise for one year. You see, that was the year '38. That is the crucial year in my conflict of conscience. I had the choice to try to get out of it, which was very difficult for me, because I didn't know how Hitler would react. I have had the experience later that he simply refused to let me go in '42 when I asked to get out, even as a Minister without Portfolio. I could have escaped from the country. Nevertheless I had all my family in the country and I didn't know what would happen to them. Furthermore, I have never thought the attitude of these immigrants sitting in Washington and writing articles about Germany to be very heroic. That is very easy to do. I felt it a duty to stay in my country and now try to do my best to check Hitler as far as possible, and that is what I have tried to do. That is why I stayed there.

Q Your choices of action, then, came first in 1933, as you say, and again in 1937?

A Yes.

Q Again in 1938 I take it?

A Yes, March '38.

Q March '38?

A Yes.

Q You stayed on as President of Reichsbank until January '39, at which time you were thrown out, as it were?

A Yes. I had to meditate that, not that I take my resignment, but that he dismiss me, and I managed it that way after I had seen that I was not able to check him any more.

Q How long were you engaged in trying to manage this dismissal, as you say, of yourself?

A During the whole year of '38.

H3223 - 0018

Q From the time when Fritsch was dismissed?

A Until my dismissal.

Q So that apparently you were trying to be dismissed from your post, according to what you say now, at the time of the Anschluss with Austria?

A Yes. And after I had realized that Fritsch did not come back, I came to the resolution that Hitler might do wrong and do fatal things.

Q To recapitulate, you were trying to get out at the time you made the speech in Vienna?

A No. I said at that time I was still doubtful.

Q Before the march into Sudetenland, you also, you say, had made up your mind that he might do fatal things, and you were at that time planning--

A And if I couldn't check him, I would try to get out. If I couldn't check him, I was still trying.

Q Checking him by what means at that time?

A By refusing financial help, which I did the 2nd of January '39, in that conversation at the Berchtesgaden Berghof.

Q That was nothing new with you. You had already told him that in March 1937 you would give him the last three milliards and then you were finished?

A Yes, and on the 2nd of January 1939, he insisted again that the Reichsbank should do something.

Q Was anybody else at this conversation with Hitler on the 2nd of January?

A No, but that is all known to my directorium, and you remember that I told you that we made this memorandum to Hitler on the 7th or 8th of January.

Q Well, we also know that you refused the ultimo loan to the Reich.

A Yes. That was all in the same game.

A 094645

H3223 - 0019

Q Well, each is a little different. Part of the same game, you say?

A Yes, in the same game, refusing financial help, that game.

Q In any event, we are clear that prior to the time of Munich you were already disgusted with Hitler and were interested in getting out?

A Yes. No, sir, not interested in getting out. On the contrary, I wanted to stay, as long as I hoped to check Hitler. If I couldn't check Hitler, then I wanted to leave.

Q This business of refusing the loan to the Finance Ministry with the ultimo, it was obviously a request for your resignation, was it not?

A A what?

Q A request for your resignation.

A No. I was under no obligation to give that money.

Q That had been done for years and years as a normal matter, had it not?

A No. Only within the limits which were prescribed by the statutes or the law of the Reichsbank, but he wanted more than that.

Q Kroniek wanted more?

A Yes.

Q You took the position that the Reichsbank statute did not permit you to give as much as he wanted?

A Yes. I had no reason to refuse credits within the limits.

Q Now I want to ask you again, did you have the feeling at that time in '38 at the time of the Sudeten business that that Wehrmacht which you had created was responsible for Hitler's terrific ability to pursue this aggressive policy?

A Was what?

Q Was responsible for permitting Hitler to pursue his aggressive policy towards the Czechs?

H3223 – 0020

A No, I don't know what you mean. First of all, I had not created that Wehrmacht, but I have helped to create it. Secondly, what has the Wehrmacht to do with that?

Q Well, I am just asking you now to put your mind back. I am trying to probe your mind as of the time in 1938, because you have made various assertions. I am trying to get the whole picture on the table now as to what you thought and as to what your state of mind was, which we want to get, and I want to get the whole picture. I, therefore, ask you from time to time what you thought as you can recall it at a given moment in your history.

A Yes.

Q Now I am coming back to the march against Czechoslovakia which resulted in the appeasement policy, Munich, and the cessation of the Sudetenland to the Reich.

A Yes.

Q Did you at that time favor the policy of acquiring the Sudetenland?

A No.

Q Did you favor at that time the policy of threatening or menacing the Czechs by force of arms so as to acquire the Sudetenland?

A No. Certainly not.

Q Then I ask you, did it strike you at the time, did it come into your consciousness, that the means that Hitler was using for threatening the Czechs was the Wehrmacht and the armament industry?

A He could not have done it without the Wehrmacht.

Q Right.

A All right.

A-0946-47 (SCHACHT)

H3223 - 0021

Q He could not have done it without a Wehrmacht especially as strong as the Wehrmacht was at that time?

A That I don't know. That is a military question.

Q But normally speaking.

A Normally or unnormally, it is a military point of view, and I can't judge that.

Q But would you say that the existence of that Wehrmacht as it was then constituted, gave the means to Hitler to pursue this foreign policy of his?

A One of the means, yes.

Q Now I just want to ask you, because I think you said it at the time and I am just going to see if you are still of the same opinion, because if you want to change the opinion, I'd like to get it—you made a speech I believe, to the German Academy for the Wehrwirtschaft. You had a reception on November 29, 1938, where you spoke on the theme of Finance Wonder and the New Plan. Do you remember that?

A Yes.

Q In that speech do you remember saying this: "With the help of its daring credit policy, Germany created for itself a strong armament and this in turn had made possible the success of our politics"?

A Yes, I stand by that still today.

Q Then you went on to say: "Despite this, there was no German financial wonder. The wonder was the reawakening of the German national conscience and German discipline, and for this wonder we must thank our Fuehrer, Adolf Hitler"?

A Yes.

Q Now, then, what interests me about this is that this was after the Munich agreement.

H3223 - 0022

A. Yes, after the Sudeten question.

Q And this was after the cessation of the Sudetenland?

A Yes.

Q And again you are in terms opposing the appeasement of Hitler?

A Yes.

Q So I take it the position you take would be what?

A (Pause)

Q The position you take is that at the time you said this publicly, you did not actually mean it, I suppose?

A I have been satisfied with the results of the Anschluss. I have disproved the methods. I have certainly not objected in my mind nor openly to the Anschluss or the Sudeten Deutsche, but I have always disapproved of the methods. I have realised and stated publicly and privately that all this would not have been fulfilled unless the rearmament of Germany had taken place and changed the position of Germany towards the allies.

Q You realise, of course, that the Czechs had an army, and the Czechs had munition works, as well, did they not?

A Sir, the method toward the Czechs or against the Czechs I had always disapproved of.

Q But I am asking you, Dr. Schacht, this: You constantly speak of the Wehrmacht or the rearmament vis a vis the allies.

A Yes.

Q Now I ask you whether the fact of this strong standing army on the German side should not be measured against the Czechs?

A No. I would have been absolutely against that, because that was the wrong method.

H3223 - 0023

Q You mean that the army would be built up to a strength so large that the allied powers would not seek to intervene?

A No, certainly not, but that it could be of some nuisance, if not justified internationally. Claims could be dealt with on peaceful basis of negotiations, as for instance, in '32, the customs union.

Q Now coming back to this Sudeten problem, you had an army here that was raised to the point where you say the allies would recognise the right of Germany to negotiate with the Czechs diplomatically?

A Yes.

Q If Germany did not have this army, the allies would not have recognised that right?

A I think that the fact that Germany at that time had an army--had great consequences with the allies.

Q In what sense?

A Why, for instance, forbid to Germany the customs union with Austria in '32 by threatening Germany with armed force and why didn't they do it in '38 when the Anschluss was committed?

Q You mean by 1938 Germany had created an army which was sufficiently large to take care of itself in any general conflict?

A Sir, don't ask me those military questions. I can't answer to that. I only say that the fact that Germany was strong again and armed has altered the politics of the allies.

Q Altered them in respect to what?

A Their attitude towards Germany.

Q Well, now, the Anschluss with Austria was not certainly by virtue of any

A 094630

H3223 - 0024

international agreement, was it?

A No, but they tolerated it.

Q They tolerated it because Germany was strong, is that right?

A They had not tolerated the customs union, which would have been much wiser, because then probably Hitler would probably never have appeared on the surface.

Q We keep coming back to the customs union. Let's put our mind to the period of 1938, this crucial period in the world history. At that time this Wehrmacht which was created was strong enough to prevent the nations from interfering with any aggressive plans that Hitler wanted to plan?

A I don't know. I can't say whether it was militarily strong enough. I can only say that it influenced, certainly must have influenced, the politics and the policies of the allies.

Q Right. And it influenced the policy of the allies to the extent of permitting Hitler to rattle the sword against smaller nations, is that correct?

A I think that the assault was made.

Q What I said was, this Wehrmacht enabled Hitler to be strong enough to rattle the sword against smaller states, like Austria and Czechoslovakia, without the fear of being told no by the great powers.

A I don't think he did it towards Austria. I think and heard later that he had done it towards Czechoslovakia, and I am entirely disapproving of those methods.

Q I come back simply to what I asked you before; did you have the feeling at the time that this Wehrmacht which you had helped create by financing it was responsible for giving Hitler an instrument wherewith he could practice his aggression against the smaller countries?

A No. I disagree entirely, sir. If a man built an automobile, and a man goes to drive it who doesn't understand driving or has any other qualities which

A 09[illegible]1 (SCHACHT)

H3223 - 0025

don't make him fit for driving, and he runs the automobile against a tree, then the man who has made the automobile is not responsible for it, but the driver is. I could never help that Hitler abused the Wehrmacht. When I saw that he tried to do it, or even did, I turned against him. That is the crucial point of my life.

Q Let's come back to the turning. Obviously you must have had certain conflicts of conscience for quite a long time with respect to this problem.

A Yes, certainly.

Q And those conflicts of conscience must have been revolving themselves in your mind, I should have thought, for some years.

A Sir, my first moral doubts about Hitler originated in '34. I have tried to make sure whether I was right in judging him that way. That can't be done from one day to another. It takes a long time, because I have seen him every few months or so, I mean. My doubts about the overdoing of the German economic and financial strength originated in the year about '36. Here, again, it took me some time to talk things over with Blomberg and Fritsch, and so on. Then I had to hope that on this field, which was my field, I was able to check him. That was why I held my position as managing man of the Ministry of Economics until the fall of '37. Then I went out, because I saw I couldn't hold it against Goering.

Q Hold it in what sense against Goering?

A A reasonable policy, a policy with regard to Germany potentialities.

Q You mean a policy which would enable armament to continue in a proper economic way rather than to over-expand quickly and lose the policy of maintaining it? Is that correct?

A Restore German economical life, and take up payments again, and so on. I wanted to bring Germany on a responsible foot economically and financially.

H3223 - 0026

Q At that time it was not that you were opposed to further armament?

A No. It was within these limits.

Q That brings us to November '37. Then in March '38, the payments of the Reichsbank were stopped. Then came the Fritsch affair, and after that, after talks of months and doubts and talks with a good many people to find out, you remember that I told you—or one of the other gentlemen who interrogated me, that I had been with Brauchitsch and with Raeder and with Rundstedt—about the affair, about the Fritsch affair. I found that Hitler might abuse the Wehrmacht.

Q When is this now?

A Abuse?

Q When is this?

A In the course of '38.

Q Yes.

A In the course of '38 after the Fritsch affair, and so I had to make up my mind and see what I should do, either, as I told you, stay, escape, retire, or whatever it might be, and my decision went to staying and trying to check as far as I could. That I did. In the whole year of '38, I have resisted any demands for money, and at the beginning of January '39, I had refused strictly to open the Reichsbank again for any financing, and I was thrown out in January '39.

Q During '38, as I gather it from everybody concerned, there was a general agreement then that the German economy had risen to the point where out of savings you could obtain enough loans and out of increased taxes you could obtain enough budgetary income so that it was no longer necessary to finance through the Reichsbank, is that correct?

A I was absolutely sure that if he would have kept within those limits, then

 A094053 (SCHACHT)

H3223 - 0027

armament had to be stopped because he couldn't find the money within the range of normal economic and financial life. That was the reason--I think I was right in thinking so--that was the reason Krosigk came into difficulties at the end of the year, because the man Hitler continued to spend money on further armaments and Krosigk could not deliver that money from taxes or whatever it was, from taxes or loans.

Q Apparently he did when you refused the loan, didn't he?

A That was for, I think, a few hundred millions, for paying salaries.

Q Employees?

A Yes, but he had to repay that.

Q Well, I know, but it was not a bankruptcy of the Reich or anything like that.

A If he didn't repay.

Q He got it from some other means maybe.

A From where?

Q Let's go back to this.

A Wait a minute. Let's make that clear, Colonel. He could not find the money, if I refused it, and I did; but because I refused it, Hitler threw me out.

Q Yes, but I mean, it may be a minor point, but let's clear this on the record, about when you refused Krosigk and Krosigk was able to raise the money. The Reich was not bankrupt?

A But that was a short loan, and he had to repay the short loan.

Q It was the same thing he asked of you, a short loan to repay?

A It is different whether you borrow from a private customer or whether you borrow from the Reichsbank. They are not repaid after five years through Krosigk,

H3223 - 0028

because he refused and said he didn't have the money.

Q In November '38 in that same speech that I referred to: "At the beginning of the year, the spring of 1938 showed a change in our financing policy because German economy had finally reached the point of full employment."

A Yes.

Q "On the first of April 1938, the credit creations through the bank of issue were stopped and the financing of the State requirements were now put on to the way of taxes and loans."

A Exactly what I said.

Q Yes. So that it was clear that at that time at least it was felt that the difference in methods which you had predicted a long time before would ultimately come through the recreation of employment and so forth, and would enable a change of policy, isn't that correct?

A But within the limits.

Q But within the limits.

A Within the given limits, certainly.

Q Now the limits, however, you have always maintained, that is, the limits of armaments, you never knew.

A No.

Q That is what I don't know. What limits are you talking about, Dr. Schacht?

A I doubt very much that any further armaments could have been financed unless he abused the Reichsbank. New loans could not any more be found. All that could be levied from the financial market and from the German economy, so that a further continuation of armaments would not have been possible.

Q You mean that there would have been no income from loans and no income from taxes sufficient to have any armament program?

A 004035 (SCHACHT)

H3223 - 0029

A Not beyond the stage reached.

Q In your speech of November 29th, '38, you certainly did not imply that, did you?

A I don't?

Q I don't think so.

A What did I say?

Q You say here, following that? "Therefore, the only correct way was for the bank of issue at the beginning to place at the disposal the necessary credits for work and rearmament and only up to the point where the economy again developed itself into a position where a considerable condition of savings and consolidation was possible. Only from that point on should the, and in fact it must be, financing be changed over to the financing through taxes and loans."

A Yes, certainly. That was one of the best speeches I ever made.

Q What I am trying to get at is that that was a position that you held back as far as 1935, was it not, that you would give credit for a limited time in order to prime the pump, as we say in America?

A Yes.

Q And when the time came, when the economy itself, through the creation of savings, and through the act of business and the workers to absorb higher taxes, that at that time it would be unnecessary to either have notes printed or to have an expansion of credit through the Reichsbank, but that instead you would rely on normal budgetary and loan revenues? That was always your position?

A Yes. Always.

Q So nothing changed in the interim?

A No.

A 094656

(SCHACHT)

H3223 - 0030

Q That is what I am trying to get at. So that there was nothing startling in 1937 about your refusal to give Hitler any more marks from the bank, because that had always been your position?

A Because in '37 I saw already that the--

Q That the time had come?

A That everybody was employed.

Q That did not mean, I ask you again, that you were then opposed to further armaments if by some magic the money could be obtained from another source?

A Sir, the money could not be obtained from some other source, because they had to repay the mefo bills. There were lots of other things to do. We had to assume a foreign debt payment on all this.

Q There was nothing that said that was inevitable?

A What is that?

Q Why did you have to resume the foreign debt payment? You had defaulted before.

A I wanted to change the default. I wanted to become an honest debtor again.

Q Actually, as a matter of fact, let me ask you this: At the time when you started the mefo bills, for example, there were no ready means available for financing the armament.

A Quite.

Q That is to say, through normal budget finance methods?

A Not enough.

Q Also you were limited at that time by the statute of the Reichsbank which did not permit you to give anything near the sufficient credit which was required for the armament program?

H3223 - 0031

A Quite.

Q And yet you found a way?

A Yes.

Q And the way you found was by creating a device in effect which enabled the Reichsbank to lend by a subterfuge to the government what it normally or legally could not do?

A Right.

Q So I think for a resourceful man like yourself, it is difficult for me to understand how at a given moment of time in 1938, a situation had so altered itself that some way could not be found for some continuation of armaments.

A Colonel, my impression was now it was enough.

Q What was enough?

A Money. Enough armaments. Enough money.

Q I ask you again: You have always maintained that you did not know the size of the armaments. How did you know it was enough?

A I didn't know. It simply was my feeling.

Q Just a feeling?

A Yes. But I knew, for instance, that with General Thomas I was always in agreement, and he was the man of the Wehrmacht.

Q Going back to this business of your conflict of conscience that you were talking about, it finally resolved itself with respect to the Ministry of Economics in your departure from Goering in November of 1937. Now, for how long before that would you say had you begun to have substantial doubts whether you could carry on this post as Minister of Economics?

A After the Four Years Plan.

Q And the Four Years Plan came in when?

A 094058

(SECRET)

H3223 – 0032

A It was announced in September '36, on the Party day.

Q Do you say that from the time that the Four Years Plan came in in September 1936, you were already to rid yourself of your economic duty?

A No. At that time I thought that I might maintain my position even against Goering.

Q Yes. In what sense?

A That he would not interfere with affairs which I had to manage in my ministry.

Q As a matter of fact, his appointment was not met with favor by you?

A I would not have ever appointed a man like Goering who didn't understand a bit about all these things.

Q But you had originally, I take it, suggested to Hitler that he be appointed the Commissar for raw materials and devisen.

A Not for raw materials, but for devisen. That was because I had not the least authority with the Party, and the Party always deceived me in devisen.

Q But, nevertheless, you say that at the time when Goering became delegate for the Four Year Plan you were not in sympathy with the appointment?

A No, not at all.

Q How long did it take for you to crystalize in your mind the feeling that you could not go along with Goering and maintain your position as Minister of Economics?

A The first moment that it happened that Goering interferred with my business I drew the consequences, and that was in July '37, when he gave out a law about mining. I don't know the details any more, but it was about the State interferring with mining, something like that. That was the end of July. This law he brought out without even informing me before hand of any intention to do so,

A094059

(SCHACHT)

H3223 – 0033

or without discussing the law or the method of executing the law, and immediately after that beginning of August, I wrote a long letter to him, stating my differences of opinion. This letter is somewhere; perhaps you have it. I sent a copy of that letter to the Fuehrer and asked for my resignation as Commissar for the Ministry.

Q That was towards the end of August?

A No. The 11th of August. I remember the date.

Q 11th of August. But before this July incident with respect to the mining that you speak about, had there been a series of developments with Goering since 1936?

A I have stated at some former interrogation—I don't know whether it was with you—that in the middle of December '36, Goering for the first time in his new position assembled an assembly of industrialists and outlined his ideas about German economy before them, saying several foolish things, and that on the 22nd of January the following year, five weeks later at the occasion of my birthday—that is why I remember the date—my 60th birthday, in a public speech I refuted these ideas of Goerings, so that the difference of opinion between Goering and myself became already public at that time.

Q But your differences of opinion, as I understand it, in 1936 and 1937, with Goering did not turn on the fact that you were at that time worried about the incident of the armament program. That you say only came later in 1938?

A No.

Q I am not trying to put words in your mouth. I want to get the matter very clear on the record.

A My concerns about overdoing of armaments started already in '36, and I told you, I think, or one of the other gentlemen—I don't remember—that at least

 A094560 (SCHACHT)

H3223 - 0034

in the second half of '36 I had a good many talks with Blomberg and with Thomas and partly with Thomas and Blomberg about the overdoing of armaments. All this I said in a letter which I wrote to Blomberg on the 14th of December of '36, so that has nothing to do with Goering especially.

Q What I mean is that fear that you had about excessive armaments, was that part of the feeling that you had that too much armaments might lead to war?

A I didn't think of that point at that time. Hitler has made so many speeches about his peace-loving and has always stated he would not try to incorporate any foreign country, and so on, so that, of course, only if you knew that he was a liar, a willing liar, intentional liar, that then he would not go to war.

Q And yet it was clearly obvious, was it not, that he was preparing for some kind of military event? It must have been.

A Sir, any armament is preparing for some military event.

Q That is right. And anybody who subscribes to a position of responsibility within such an increasing program must naturally take an obligation as a citizen that he will carry out "my country right or wrong," isn't that so?

A No, that is not my saying. It is entirely wrong and a very misleading statement, sir. "My country only if it is right."

Q Now, suppose, let us say, you were Chief of the General Staff.

A I was what?

Q I say, suppose you were Chief of the General Staff and Hitler decided to attack Austria. Would you say that you had the right to withdraw?

A I would have said "Withdraw me, sir."

Q You would have said that?

A Yes.

H3223 – 0035

Q So you take the position that any official could at any time withdraw if he thought that the moral organization was such that he felt he could not go on?

A Quite.

Q In other words, you feel that the members of the General Staff of the Wehrmacht who were responsible for carrying into execution Hitler's plan, are equally guilty with him?

A That is a very hard question you put to me, sir, and I answer "yes."

Q Well, now, nevertheless, as you say, the development of armament involves within it the preparation or the possibility of mobilization and some kind of war, does it not?

A I didn't get that.

Q Will you read the question?

(The question referred to was read by the reporter as set forth above.)

A Yes. Quite correct.

Q Do you feel that a voluntary assumption of a position of influence with respect to the possibility of war in any way ties a man to an obligation to see it through?

A That is a very philosophical question, sir.

Q It may or may not be.

A Yes, but I don't agree.

Q You don't agree to what?

A I don't agree that he is responsible for the use or abuse of what he has created. The example of the automobile.

Q No. I am asking you something quite different. Perhaps I misspoke myself, Dr. Schacht. If a man assumes a position where at a given moment, let us say mobilization, he is required instantly to perform certain functions, does he

A 034062 (SCHACHT)

H3223 – 0036

undertake, when he voluntarily assumes such a task, the obligation to continue the task because otherwise he would create chaos and confusion when he leaves?

A That is a very grave question for the conscience of a man, and I think I would not leave. Even if I had voluntarily taken such a position and it would turn out into a demand which goes against my conviction, I would say, "dismiss me or shoot me."

Q That is your observation now?

A Yes.

Q And yet we have gone over the Austrian situation, Dr. Schacht, where you were in disagreement with the methods of Hitler, and after he had achieved them, you publicly praised him.

A Sir, what else could I do?

Q Let's pass that. Then we have the Czechoslovakian situation, where again clearly you were against his aggressive methods as you say.

A Yes.

Q And still in November after the Czechoslovakian-Sudeten business you still praised the success of the German policy based on the Sturmgut?

A Not the Sudeten matter.

Q You praised the success of the policy? It is obvious what you were referring to, was it not?

A Yes.

Q So I ask you to consider whether it would have been as simple as you say. I add one further fact, that after Hitler's attack on France, which you will admit was aggressive, and his great resounding—

A I admit what was?

H3223 - 0037

Q Aggressive.

A France declared war on Germany.

Q But I mean vis a vis the Polish situation. Let me ask you again so we will get it straight: Was it your opinion that the attack on Poland by Hitler was aggressive?

A Entirely.

Q And it was your opinion also that in view of the pledges and commitments that had been made, such an attack was reckless and could lead to a general war?

A Yes.

Q So that the general war having resulted out of this attack on Poland, Hitler for the time being at least became a victor and signed an armistice with the French at Compiegne with great fanfare and glory?

A Yes.

Q Now, I take it that at that moment of time you did not agree with the achievements of Hitler or his purposes?

A Quite.

Q And yet you say that you found yourself in a position where you not only had to meet Hitler at the railway station, but also had to go and sit on the government benches at the Reichstag and try hard?

A Yes, I didn't want to commit suicide, sir.

Q Well, what I am trying to come back to is this, that you must have understood always that the risk of voluntary association of power is that you cannot escape the obligations of it?

A If you have to deal with normal and honest men, I think you are right. If you have to deal with a gangster, then it is very difficult to stick to honesty yourself, without hurting your life, without risking your life.

H3223 - 0038

Q Let me ask you, then: In 1937, what kind of war did you envisage?

A Never. We might have been attacked, invaded by somebody, but even that I had not expected.

Q You had not expected. Did you expect a possibility of a mobilization and concentration of economic forces in the event of war?

A In the event of an attack against Germany, certainly.

Q Now, putting your mind back to 1937, are you able to say what sort of an attack you were concerned with?

A I don't know, sir.

Q Did you have thoughts on that at the time?

A No. Never.

Q Did you then consider that the contingency of war in 1937 was so remote as to be negligible?

A Yes.

Q You did?

A Yes.

Q Let me ask you: Did you in July 1937 have a discussion with Goering or indeed an argument with Goering about your retaining your position as Plenipotentiary for the War Economy?

A It was never mentioned.

Q I want you to think carefully about that, Doctor.

A It was never mentioned, because I remember that very well. When I retired as Minister of Economics, at the same time I was withdrawn as Reichsverteidigungskommissar. That is what you mean.

Q No. It was Generalbevollmaechtigter der Kriegswirtschaft.

H3223 - 0039

A Generals?

Q General Plenipotentiary for the War Economy.

A It had been information gotten in the document which relieved me from my post as Minister of Economics, and a few days later Lammers came and said, "Now, here is the other document about the Plenipotentiary." As to Goering, I have not discussed it with him. Nobody had thought about it.

Q Now, let's go back very carefully. Set your mind on this, because it may turn out to be important. I am not talking now of the time when you resigned or was dismissed as Minister of Economics in November of 1937. I am now talking of the time when you were functioning as Minister of Economics in July 1937.

A Yes.

Q I ask you whether at that time before you had given up the position as Minister of Economics you did not have a dispute with Goering with respect to your maintaining or retaining the position of General Plenipotentiary for the War Economy?

A I don't remember that I had it.

Q Do you remember any discussion with Goering and with Hitler concerning your desire to continue in the post as Minister of the War Economy?

A It is absolutely untrue, absolutely untrue.

Q Did you have any discussion on that subject of any kind with Hitler or with Goering?

A None whatever.

Q Did you to anybody assert or maintain that you were entitled to retain the position of General Plenipotentiary for the War Economy in July or thereabout of 1937?

A Not that I remember. None whatever, because I didn't lay any stress upon

H3223 - 0040

such a position.

Q Now, let me refresh your recollection as to this point, and see if it does. Did you have a discussion with Hitler and Goering in which you pointed out that in case of war Goering would be busy with the Luftwaffe and hence probably be in the field and that, therefore, he could not run the War Economy in the event of war, and that, therefore, you had better be left in that position?

A Not after my dismissal.

Q This is before your dismissal.

A No. Such a conversation is possible, because I had always objected to Goering's abilities of managing the Economics, and that can only have been at the time when my dismissal was not yet discussed.

Q Your dismissal was not yet discussed?

A Yes.

Q But I asked you, did you urge upon the Fuehrer that you be permitted to retain the position of Plenipotentiary for the War Economy in the event of war?

A Certainly not.

Q That is your best recollection?

A My best recollection and conviction.

Q See if this refreshes your recollection, Dr. Schacht: I just want to see if it does. This is a document that is marked Exhibit A of 15 October 1945, Nuernberg, and bears the date, "Berlin" 7 of July 1937. It is a copy signed "Hermann Goering" and "Dr. Hjalmar Schacht," and I ask you if you will refresh your recollection from this document.

A (Examining document) What does it mean?

Q I am asking you. Does it refresh your recollection about the incident?

H3223 - 0041

A No. That has nothing to do with the question you have asked me.

Q Why not?

A What does it state?

Q Would you mind reading it? Translate it into English for the record.

A "At the request of the Fuehrer and Reich Chancellor, an examination"--

Q Let me read it. It may be easier for you, "At the request of the Fuehrer and Reich Chancellor, an examination by both undersigned of the previously presented fundamental question which is hereby resolved has resulted that the tasks of the delegates of the Four Years Plan and the tasks of the Plenipotentiary for War Economy be resolved in closest cooperation. Additional the fact is agreed to that the Plenipotentiary for War Economy has without doubt the position of the highest Reich authority." Signed "Goering" and "Schacht."

A Yes. Now can you give me an explanation of it?

Q You remember first signing the document?

A Certainly. I don't remember it, but there is no question about it.

Q All right. You remember, then, having a further discussion with Goering about the situation?

A No. But I can absolutely now explain how it has come about.

Q Please do.

A After Goering had taken over the Four Years Plan, and I must say after he had taken over the control of Devisen already since April '36, but still more after the Four Years Plan, September '36, he has always tried to get control of the whole economic policy. One of the objects, of course, was that as Plenipotentiary for War Economy in the case of war, and he being only too anxious to get everything into his hands, he tried to get that away from me. Certainly as long as I had the position of Minister of Economics I have certainly objected to that, because after

H3223 - 0042

he had got the Devisen and after he had got the Four Years Plan, I didn't want to give away one thing after the other and then remain as nothing. Therefore, the last sentence about the Plenipotentiary, I didn't want to dwindle down, and that is all.

Q Now, Goering's explanation of the last sentence might amuse you. He says that made it definite that you would be under his jurisdiction, because all the Obersten Behorde were under him.

A It may amuse you if I tell you that the last conversation that I had with Goering on these topics was in November '37, when Luther for two months had endeavored to unite Goering and myself and to induce me to further cooperate with Goering and maintain my position as Minister of Economics. Then I had a last talk with Goering, and at the end of this talk Goering said, "But I must have the right to give orders to you." Then I said, "Not to me, but to my successor." I have never taken orders from Goering, and I would never have done it, because he was a fool in economics, and I knew something about it, at least.

Q Well, I gather that was a culminating, progressive, personal business between you and Goering. That seems perfectly obvious.

A Certainly.

Q That was the fundamental reason why you could not keep your position any more, because you would have been in a position to take orders from a man whom you did not respect in economic matters?

A Absolutely, and this is one of the stages where he tried to take something away from me, and immediately after my dismissal, after my resignation, this was also taken.

Q What I am trying to analyze now, if I may for a moment, is what was it

A 094069 (SCHACHT)

H3223 - 0043

that he was trying to take away from here?

A He wanted to become Plenipotentiary for the War Economy.

Q Let's go into the duties of that job for a moment and see what he was trying to take away from you. There are only two possibilities as it has been explained to me. If I am wrong, correct me. One would be the preparation for a mobilization, and the other would be the actual taking charge of this in the event of war. Otherwise the post had no meaning. So the things you resisted his taking away from you, as I see it was the right to be in charge of the preparation for mobilization, and, secondly, the right to control in the event of war?

A Correct.

Q I just want to show you a memorandum, which I believe you wrote in May '35, and ask you if you would be good enough to look through that and see if it refreshes your recollection about it.

A (Examining document) I would like to answer a question more completely which a gentleman asked me in Room 166 about this memorandum.

Q Please go ahead. I don't know what incident you are referring to.

A Will you take it down here, because I have not seen that gentleman again.

Q How long ago was that?

A Two days ago. The day before yesterday. This gentleman asked me whether in this memorandum I had referred to the limit of financial and economic nature for Germany, and I stated in my answer that I had not referred to those points at all in this memorandum. This is not the case. The whole memorandum was based on the necessity of maintaining our foreign trade, getting Devisen and so on, and it was the reason why I felt myself entitled and justified to lay these points before Hitler, which was more of a general political character. That I would like

H3223 - 0044

to point out. There is a reference to economics in it.

Q Now, first just for the record, this was written by you personally, I take it?

A Yes. And I handed it personally to Hitler.

COLONEL GRIFFITH: Would you mind marking this Exhibit A, todays date?

(Thereupon, the document was marked Exhibit A, 16 October 1945, (GERMANY).

Q Now, this memorandum, however, basically dealt with the armament question, I take it?

A That I don't remember. May I add: The statement which I have just given refers to another memorandum of the same date. I have handed Hitler at the date of May 3, '35, two memorandums. This is the one about financing and the other is the one about maintainance of export trade in connection with Gestapo problems, Jewish problems, and church problems.

Q But this one you will remember as having been written by you at the same time?

A Yes, certainly.

Q Now, the question I asked you that I don't believe was answered was whether this specifically deals with rearmament? I take it that your answer was yes?

A May I say that the object of this second memorandum which you have just shown me was to concentrate all financial means available inside Germany so that no pressure upon the printing press of the Reichsbank was to be expected.

Q Did you in this memorandum--of course, it is perfectly obvious--say that the carrying out of the armament program was the principle task of the German policy?

A Certainly.

H3223 - 0045

Q So that, I take it, as early as May 3, 1935, you were of the opinion that everything in Germany substantially had to be subordinated to the one main goal?

A That was the political aim. The political aim could not be fulfilled without certain economic conditions.

Q We are coming to that, but first let us set the goal, and then we can discuss the method. The goal itself was armament?

A Was armament.

Q And that took precedence over everything else subject to the possibility of the economy to support it?

A Over everything else, I don't know. There might have been things arrive which I didn't know at that time which might become more important than armament.

Q But so far as you knew at that time armament was the goal?

A Quite.

Q So that as early as 1935 the only limitations upon armaments were the economic factors that would make it possible or might tend to hinder it?

A Yes. There was no amount fixed for the armament program and the amount of armaments was never discussed, and so I think your statement was right, that we should arm in my opinion, as much as our economic and financial situation would allow.

Q The second thing is clear, that you assumed voluntarily the responsibility for finding the financial and economical means for that problem?

A Yes.

Q And pursuant to that, all your economic policy in the large was within the framework of this single goal of rearmament?

A No. That is just what I wanted to make clear. My economic policy was

H3223 - 0046

intended to keep the German people alive and to maintain German economy. That was the underlying basis for armament. If I couldn't get the foodstuff for the German people from outside, if I couldn't get the raw materials for maintaining German industry from outside, I could not have armed, so economically armament was subject to these two goals beforehand.

Q Right, but these, then, were means towards the achievement of the goal. In other words, if you don't have food, you can't feed the workers, and if you don't feed the workers, you can't have arms?

A So the armament was subordinated to the necessities of maintaining German life and economy.

Q Subordinated?

A Subordinated.

Q So your goal still remained, subject to limitations, among which were the necessities of importing a certain amount of foodstuffs and a certain amount of raw materials for export industries, the goal still remained armament?

A Yes.

Q Now, in pursuance of this policy of maintaining the maximum armament possible within the framework of economy, you set about to reorganize, as it were, the German economy and the foreign trade of Germany with other nations with this goal in mind. That is correct, I take it?

A Whether this goal was involved or not, the maintainance of German economic life and the maintainance therefor of foreign commerce was still there, even without the goal of armament.

Q But I mean as an economist you wouldn't say that the building up of an armament industry was a Sine Quannon, as it were, of restoring the German economy, would you?

H3223 – 0047

A What?

Q That it was a preliminary to restoring the Germany economy. It could have been done without armaments, could it not?

A I doubt it. Think for instance, about the Ruhr invasion of '23. The Ruhr invasion of '23 had ruined German economic life totally, had ruined German currency totally, and that was only because of the fact that we could not resist that invasion because of the lack of arms, so I think a certain amount of armament and armament industry for defense is absolutely necessary and is a condition for economic life.

Q Perhaps I misunderstood you. You are now talking about the need for armaments to ward off external threats. I am talking of the need of armament in order to restore German industry.

A Yes, but you must not forget that arming and maintaining a certain armament industry helps a great deal with doing away with unemployment. If you can employ a certain part of labor in that industry, you don't need to look out for others.

Q That is what I wanted to ask your economic judgment about. That may be true in the short run, but obviously in the long run as far as national income is concerned, the armament industry simply becomes eventually, unless it is used, a drain on the public revenues, because it does not create capital.

A It always is.

Q It always is?

A Yes. In that special sense it is an uneconomic investment. Not in a political sense.

Q Quite. So that in the economic sense you can only conceive of an economic industry as helping the economy in the very short run, as, for example, to make work as you do to make work in a temporary depression?

H3223 - 0048

A Not quite. As long as you are rearming--building up, it is an additional employment, but even if it is additional, it employs always some part of labor.

Q Yes, it employs them, but the payment therefore is not out of the creation of new capital goods, but must come out of a drain on the public treasury.

A Certainly, sir.

Q I just wanted to get your view about that, because when you say that the single goal is rearmament, it seemed obvious to me that as an economist you could not mean in the long run that the armament industry itself would maintain the German economy or contribute to it.

A I am glad you give me that argument. It shows that I have never wanted to overdo.

Q You agree with that in principle?

A Certainly.

Q Now, in connection with this development, the armament industry; you charged yourself as the financial and economic administrator of it?

A (Nodding head).

Q And in that connection you took various steps. Would you be good enough to describe for us the larger steps that you took with respect to this goal of rearmament, first, internally and, second, with respect to foreign nations?

A Internally I had tried to collect every money available for financing the mefo bills. Externally I had tried to maintain foreign commerce as much as possible.

Q Let's see what the objective was. The objective, stated simply, I take it, was to obtain enough Devisen so as to permit the import of raw materials not manufactured which were required for the rearmament program?

A Not only for rearmament, but for feeding the people and for delivering

H3223 - 0049

raw materials to the home and export industries.

Q But in substance the feeding of the raw materials imported for the export industry was again in turn largely for the purpose of obtaining either a favorable balance, or sufficient devisen to purchase additional raw materials for these industries?

A I can't subscribe to the word "largely," because I think altogether of all the raw materials imported at that time and during those years only a small percentage had been used by the armament industry and the greater part certainly by the civilian industry and export industry.

Q What perportion would you say, Dr. Schacht?

A I can't tell you. It would be very interesting to know.

Q How do you arrive at the conclusion that it was small?

A Because, for instance, the export industry alone reached the figure of six billions a year. The civilian industry for all kinds of goods, housing, clothing, and eating, and so forth, for a people of sixty or sixty-five millions must reach an enormous amount of bills. We have always estimated in normal times the so-called social product as something above sixty billions. Now, what has really gone into armaments can only be a small percentage of that.

Q You don't mean to imply that all the exportable goods of Germany were in turn based upon the import of raw materials that went into them, do you?

A And foodstuffs. I think that it changed greatly the balance of trade from importing manufactured goods into importing raw materials and decreasing the amount of manufactured goods. That has always been the aim. I am sorry to say that this whole policy forced us into what you call managed economy. I was entirely against that, but I had to do that because we could not find any way out.

Q Now, come back to the Devisen question. You had a terrific pressure on

H3223 - 0050

you, according to the bill that Hitler gave you for rearmament, to procure Devisen by whatever means were possible, did you not, and as you have written and stated, it was a very difficult and burdensome task?

A Yes.

Q In connection with that, how did you go about procuring the Devisen in the large? Did you, for example, utilize the moratorium and the stand-still agreement with respect to foreign obligations in order to procure Devisen?

A I told you already, sir, that the first moratorium came out in '31.

Q We know that, yes.

A And the whole policy afterwards was only a continuing of the situation of '31.

Q But in a very accentuated form, was it not?

A In a very accentuated form. I have just today--this morning read the chapter in Mr. Sumner Welles' book, "Time for Decision," where he described that time in Germany, and he himself blames the allied and associated powers very much for their wrong policy in not granting Germany a time of respite for recovery, just to the question of Devisen and to the Hoover moratorium. He says the Hoover moratorium came much too late.

Q You are talking now of the twenties and I am talking now about after Hitler came to power. After all, the Weimar Republic was not engaged in a large scale at least in the production of armaments and of utilizing Devisen for the purpose of raw materials which otherwise could be used to pay foreign obligations.

A Yes.

Q So I come back to the situation where you took over and ask you if it is not the fact that you, by virtue of stopping in effect the payment in foreign cur-

H3223 - 0051

rency on foreign obligations that were outstanding, found a source for the obtaining of Devisen which you in turn used for the purchase of raw materials for armaments among other things?

A But I told you, sir, that I didn't start it. It had already been started and I made my arrangement with the committees of foreign creditors afterwards, and every arrangement had been made in agreement with them.

Q Well, the arrangements, as we went over them once before, were in agreement, because the foreign creditors had no other alternatives except to attack Germany. What else could they have done?

A To attack Germany?

Q What else could they have done? As you suggested, to wait?

A Yes, and that they did.

Q So it was hardly a voluntary agreement in the sense that anybody wished to give up the revenue that normally and legally should have flown by virtue of existing obligations?

A What else could I do?

Q That is what I am coming to now. You faced the choice, did you not, with respect to the Devisen that were made available for the purchase of raw materials for armaments as to whether to use those Devisen for such a purpose or for the payment of these obligations, isn't that the fact?

A No. No. I thought that the armament was something which would help Germany, even in international commercial relations, to put Germany on an equal foot with the others and to open markets for Germany, because even in economic negotiations there is always weight of respect which you have to put into the scale.

Q It has often been said that you used the farmers' money to finance Germany's

H3223 - 0052

rearmament, is that correct?

A I am sorry to say that is not correct, but inasfar as the government left the money in Germany, I have used that money also for financing.

Q Was that also accompanied by a blocking system preventing him from getting his money out in foreign exchange?

A No. All these arrangements about Marks, were made in agreement with the committees, and if somebody wanted his marks inside of Germany, he could draw any amount. No limits.

Q Supposing he wanted to draw the Marks for the purchase of Sterling?

A Sir, I couldn't allow him to buy Sterling, because that is foreign and that would have depreciated my Mark.

Q So that in effect you had a blocking of the accounts as a preliminary step to freezing them within Germany, isn't that correct?

A Certainly. That was not the object, however, but the consequences.

Q The second step was that after you froze the currencies, you were able to use them, as you say, for the financing of the mefo bills?

A Quite. Because what else could I do?

Q I could debate that with you, but the fact is this—

A I could have left the money to the debtors. I didn't want to release the debtors of their debt by doing so. I said, "You have to pay by all means. It is a pity that I cannot find the Devisen for transferring this money, but you have to pay the money." Now, the money was there. Now what to do with that money.

Q So that in effect you took the private money and made it public money?

A Pardon me?

Q You took the private money of the debtors or really of the creditors by that time and used it as public money in effect through the Reichsbank financing

H3223 - 0053

government?

A Not used it. I tell you, if a foreign creditor would be asked for that money, he could take it.

Q In block Marks.

A In block Marks, of course. Not use it for buying foreign exchange.

Q This emphasis that you have put on export trade, I take it, was for the purpose, in large part, at least, of the rearmament program as such?

A No, sir. I can only repeat: I needed it for the maintenance of the whole economic life of Germany.

Q But for armaments as well?

A Also. But not for "months", and not "largely." Including armaments.

Q What I want to ask you is in this memorandum on the 3rd of May 1945, where you set forth your program, you state as the first goal armament. Was that a misstatement?

A No. Certainly not. I was for the rearmament.

Q So that the economic means that you used were directed primarily for this primary goal which you had set out to Hitler in 1935, isn't that right?

A No. I tell you that this goal was depending upon the making more liberal the means for economic life. I have always said that the armaments were subordinated to the economic needs.

Q They were limited by?

A Limited and subordinated. First came the economic needs, and then came armaments, but within that armament was the goal.

Q Let me ask you the general question: As far as armaments up until 1938 are concerned, you take the primary responsibility, as I understand it, for the financing of the whole program, do you not?

A 094680 (SCHACHT)

H3223 – 0054

A No. We have just in the last interrogation outlined that fifteen billions came from taxing; that eight billions came from loans; and twelve billions from the Reichsbank only.

Q Right.

A That makes it twelve to twenty-three.

Q Twelve to twenty-three. But you pointed out at that time, as I recall it, that the sum of eight billions for loans did not necessarily mean that the whole total went into armaments and that similarly the fifteen billions for taxes did not mean that that went wholly into armament, is that correct?

A I don't know.

Q That is what you suggested. I didn't say it.

A No. I didn't know. I didn't suggest anything of that kind. I said I didn't know what amount of these went into armaments.

Q You will agree with this, that inasfar as a part of the thirteen billions for taxes and inasfar as the eight billions for loans did not go for armament, it raises your contribution through the financing correspondingly even larger, is that correct?

A Then you have to take into consideration also the amount of debts which the government had towards industrialists. I don't know how much that was. You have to take into account whether from other sources of the budget amounts went into armament. I have only stated that I did not know about this.

Q Let me ask you whether you don't have to take this also into account in the light of our discussion of the last fifteen minutes, that the means for the obtaining of the taxes and the loans were based on the creation of a sound economy which involved the reemployment, the redevelopment of industry, the development of export

A 094681 (SCHACHT)

H3223 - 0055

trade, the consequent profits for taxes and the consequent saving for loans, isn't that correct?

A It seems to be a logical statement. I don't know what you want me to say.

Q There is no argument about that. What I am asking you, then, is, don't we have to take into account, too, the fact that as Reichsminister for Economics and as the man who was in charge of the financial controls, that your restoration of the German economy and your creation of the means of savings and the means for taxes must also be credited, if you will, to your financial management?

A If you like so.

Q Now, in 1936, I will just be very brief now, you participated at ministerial meetings with Goering and the other ministers with respect to the economic possibilities in the event of war, did you not?

A Not in the event of war. I am glad you touch upon that point, because that was another point which before yesterday's interrogation with Colonel Hinkel I have not stated sufficiently clear, because it did not come to my mind what he had in mind. He eluded to conversations with Blomberg, Goering, Krosigk. Now, I have thought of that afterwards and it has come into my mind that he might have had in his mind the so-called Klein. Ministerialrat, the Small Ministers' Counsel. That Klein. Ministerialrat, Small Counsel of Ministers, was established or installed, as far as I remember, only after the Four Years Plan was announced; not before it. The talks which had taken place were after the Four Years Plan announcement.

Q When was the Four Years Plan announced again?

A In September '37.

Q '36.

A '36. Pardon me.

A 094682 (SCHACHT)

H3223 - 0056

Q These meetings were before that?

A I don't know any of those meetings, but if you will help me, I may remember.

Q There is a meeting, for example, May 27, 1936, at which were present Goering, Blomberg, Schacht, Krosigk, Papen, and Lieutenant Colonel of the General Staff, Loeb?

A Oh, yes.

Q Do you remember those meetings? There were several?

A It might have been.

Q That was before the Four Years Plan?

A That was before the Four Years Plan.

Q They were under the chairmanship of Goering, I take it, nevertheless?

A Certainly.

Q Was that what you were referring to or were you referring to something else?

A No. I am referring to the regular meetings after the Four Years Plan.

Q Now, at these meetings even before the Four Years Plan, there seems to have been a good deal of discussion about the event of mobilization. Do you remember that?

A No.

Q You, for example, referred to it once in awhile. I see here, for example, in the May 27, 1936 meeting that I have referred to about the obtaining of raw materials, certain raw materials, "Such should be imported if they could serve the peace-time economic use," that is, factories could be built for them, and "for other raw materials factories should be prepared for the event of mobilization."

A Yes.

Q Do you recall why you were discussing as early as 1936 this mobilization business?

H3223 - 0057

A But sir, I was, as you have stated, Plenipotentiary for War Economics, and I have considered this as a routine method for the General Staff of the War Ministry, and certainly we had discussed these methods.

Q In other words, you didn't consider it a negative or negligible task, as I think you first said the first time I asked you about it?

A I have never thought of any possibility of mobilization, but, nevertheless, as a routine work, you have to deal with it.

Q That is the only explanation you have of that?

A Certainly.

Q Goering at these meetings from time to time would speak about the possibilities of war. Do you think that was in the same vein?

A I don't know whether it was in the same day—

Q Same vein, the same ideas as yours, these remarks?

A I doubt it very much, because all these things were just those that made me suspicious.

Q For instance, Goering says, "All means must be considered from the standpoint of assurance of the direction of war."

A Yes.

Q And you were present, of course, and you then replied to him, in which you suggested that there should be price fixing. Do you remember that?

A I don't remember that, but certainly, it's true, if it is in there.

Q So that, I take it, you actually did occupy this position that you were named to, as Plenipotentiary for the War Economy?

A Certainly.

Q And just as the Chief of the General Staff warning in advance about preparations in the event of mobilization from the military point of view, so you were

H3223 - 0058

concerned with it from the economic point of view?

A Certainly.

Q I think that is all for today, Dr. Schacht. I will probably see you tomorrow or the next day.

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APPROVED:

(Interrogator)

William A. Wright
(Reporter)

I certify that the above is a true, correct and complete copy of the original transcript of the interrogation of HJALMAR SCHACHT, taken at Nuremberg, Germany, 16 October 1945.

Sam Harris
SAM HARRIS
Captain, JAGD

9 January 1946

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H3223 - 0059

H3223-0059A

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H3223 – 0060